

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 405 - HB 531

February 25, 2021

SUMMARY OF BILL: Increases, from 70.5 to 72, the required minimum distribution (RMD) age for members born on or after July 1, 1949. Clarifies that state judges, district attorneys general, or members of the General Assembly must have filed no later than October 31, 2016 an election to not be a participant in the hybrid plan. Requires political subdivision's maximum unfunded liability to be no greater than 20 percent of the subdivision's total pension liability. Authorizes a retired member of the Tennessee Consolidated Retirement System (TCRS) 30 days from their retirement date to establish prior service; after the 30-day time period the prior service will be calculated as a second benefit. Clarifies that TCRS members may make monthly installments to establish the retirement credit, with the payments not to exceed five years or their length of established service, whichever is shorter.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The timing and amount of increase in revenue to TCRS and corresponding mandatory increase in local government expenditures, if any, as a result of political subdivisions' exceeding their maximum unfunded liability is unknown and is deemed to be undeterminable at this time. All other fiscal impacts as a result of this proposed legislation are considered to be not significant.

Assumptions:

- Based on information from the Department of Treasury, any change in the liability or the payments due to TCRS members as a result of increasing the RMD age to reflect the recent change in federal law is estimated to be not significant. Any shifts in amount of payments or the timing thereof are considered to be not significant.
- The clarification regarding TCRS members opting out of the hybrid plan before October 16, 2016 codifies the TCRS practices regarding those past notifications.
- The difference in either allowing retired members to establish prior service or to be given a second benefit based on that same prior service is estimated to be not significant.
- Clarifying that the monthly installments to establish service are not to exceed the length of service established by the member is consistent with current TCRS practices and procedures, and is therefore considered to be not significant.
- Should a political subdivisions maximum unfunded liability exceed 20 percent of their total pension liability, as laid out in the proposed legislation, then pursuant to Tenn.

Code Ann. § 8-36-922(d)(1) the following actions shall automatically apply to the political subdivisions' TCRS plan:

- Suspend or reduce the three percent cost-of-living adjustment
- Suspend or reduce the amount of employer contributions required.
- Increase the employee contributions by one percent.
- Reduce the retirement allowance formulas from 1 percent and 1.6 percent to such lesser amount as necessary to reduce unfunded liability to the maximum unfunded liability.
- If the maximum unfunded liability is still exceeded, then the hybrid plan of the political subdivision shall be suspended for future service accruals until such time that the unfunded liability equals or is less than the maximum unfunded liability.
- The amount and timing of this increase in revenue to TCRS and corresponding mandatory increase in expenditures from local governments, if any, as a result of these suspensions is unknown, and is considered undeterminable at this time.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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